Course Name

Public financial management for better policy outcomes

Background

The **Public financial management for better policy outcomes** short term award aims to provide middle and senior level government officials with an opportunity to benchmark and explore a range of public financial management practices that underpin policy-making in contemporary government practices. **These practices include fiscal rules to guide government spending and revenue, expenditure frameworks that capture long-term impacts of policy decisions, and performance-based budgeting to inform the level and relative priority of funding allocations. Whole of government approach is integral to the abovementioned topics to enable stronger coordination and integration across government agencies.** The course will include central government and sub-national level participants.

In the 2020-2024 Mid-Term National Development Plan (RPJMN) public financial management is mentioned in two contexts: 1) the improvement of subnational financial management – fiscal reform aims to strengthen the quality of decentralised fiscal management through the transfer mechanisms from central to local governments, including Village Funds (Dana Desa based on performance). Fiscal reform is also aimed to improve the efficiency, effectiveness, and accountability of subnational financial management; 2) institutional bureaucratic reform – 2018 data from the Supreme Audit Board (BPK) shows weaknesses in the internal control systems. The state financial management is still marked by inefficiency, ineffectiveness and the lack of compliance to laws and regulations. RPJMN indicates that an effective and reliable institutional performance management system supported with an integrity system is needed.

Since decentralisation policy was promulgated almost 20 years ago, a key gap in national systems has been the ability to consolidate sub-national financing and performance data to inform national policy making. The focus of decentralisation policy was initially on the ability of sub-national governments to absorb funds. Later, financial regulations were fragmented, requiring different priorities driving multiple systems. This has led to sub-national governments, including frontline service delivery agencies, to manage multiple links of reporting with multiple and contrasting systems.

Revenue sources are highly fragmented, with funds coming from multiple points of supply from different ministries and agencies, such as direct transfers, national programs, revenue sharing, own-sourced revenue and village funds. Expenditure management is also cluttered with individual program structures across districts, chart of account that differ from district to district and different accounting and classification standards for sub-national spending.

Furthermore, systems are primarily **focused on expenditure rather than performance**. As a result of the problematic structure, it is virtually impossible to consolidate sub-national financial and performance information leading to a predicament in analysing the impact of national programs. This predicament is hampered by weak capacity at sub-national level to manage and spend the budget effectively. This has adversely affected service quality regardless of how many financial stimuli are being provided by the central government to improve service delivery.

Government of Australia supports the Government of Indonesia through KOMPAK and PROSPERA programs on key PFM-related interventions in both national and sub-national government. KOMPAK collaborates with four key ministries at the national level (Ministry of Home Affairs, Ministry of Finance, Ministry of Villages and BAPPENAS), and working with 26 district governments in seven provinces, including Special Autonomy regions of Aceh, West Papua and Papua. KOMPAK's work on PFM aims to improve how national government allocates funding to sub-national governments and support local governments to increase their funding allocations and improve the quality of spending towards better

services, including strengthening the use of Special Autonomy Funds. PROSPERA focuses on supporting the central government to improve revenue collection and better-quality spending, including through: developing medium-term expenditure and revenue frameworks; long-term (intergenerational) policy issues; performance-based budgeting; accountability (through support to the audit office (BPK) and the Ombudsman (ORI); digitisation of the tax system and bureaucratic reform. PROSPERA is also implementing cutting edge methodologies, using machine learning to extract new data sets and big data analytics to improve spending in the education sector. KOMPAK and PROSPERA will work with AAI to ensure the new knowledge and skills from the course are applied (particularly through Award Projects), thus contributing to better results of Australian PFM-related development programs.

Indonesia like most countries has arrived at its current policy position through iterative changes to the economic policy making, budget and PFM system, and while each reform decision makes sense in a local contextual sense, it is important to recognise that many approaches are sub-optimal and do not always conform to international good practice. Managing public resources is a common challenge around the world and there are many international experiences that could help with Indonesia's PFM reform.

It is important to develop a good understanding of PFM as a system – what does a good system look like, what are its features, what is present in Indonesia and how does that compare to countries with good systems and frameworks (benchmarks). Which elements are relevant to both Indonesia and the comparison country, which elements are unique to the context? Ultimately, the goal of this course is to help Indonesian officials to identify what a pathway to change or reform looks like by presenting lived examples.

Australia has a long history of budget/PFM reforms and a strong track record in policy/performance-based budgets, at the national level, and within state (province) governments. While the system of government is very different to Indonesia, the experience with budgets, expenditure accountability and transparency will be valuable to course participants. This course consists of a 2-week intensive course in Australia and two 3-day workshops in Indonesia. Indonesian government agencies will be invited to deliver sessions at the pre and post-course workshops in Indonesia. During the course in Australia the participants will meet with Australian government agencies and leading experts in the sector. The course participants will develop and implement personal or small group development projects, Award Projects and disseminate the learnings from the course in their agencies after the course completion.

Learning objectives

On completion of the course, participants will be able to:

General Objectives

- Benchmark a range of cutting-edge public financial management practices that underpin policy-making in contemporary government practices

- Explore and contextualise fiscal rules to guide government spending and revenue across different levels of government (national/federal – subnational/states)

- Benchmark expenditure frameworks that capture long-term impacts of policy decisions including expenditure planning to ensure quality of public services

- Identify and analyse best practices of performance-based budgeting to improve the budget cycle as a tool for continuous improvement and to inform the level and relative priority of funding allocations

- Explore ways to improve public financial accountability (including improving sharing of government financial statements, Freedom of Information Act, comparison of government structures incl. ombudsman's role)

- Compare global best practices, lessons learned and historical developments in PFM, including fiscal decentralisation initiatives and policies and improving inter-agency coordination and collaboration (federal and state)

Additional objectives

- Benchmark the use of latest technologies in revenue management including analysis of trends and changes to revenue management and sources

- Explore the use of big data and data analytics to support policy development

To achieve these outcomes, the proposed short course offers a structured learning process for participants that will utilise a range of learning methodologies, such as classroom sessions; case studies; site visits; workshops, discussions, and planning sessions; simulations and role plays; networking events; an in-depth individual course project (Award Project). Award Project model used across all AAI STA (participants develop an individual or group project, conduct required analyses, present the project at pre-course workshop, further develop the project during the in-Australia course and present the implemented project at the post-course workshop)

Dates and location

The course will be delivered over a **2-week period in Australia**. A pre-course workshop will be held approximately four weeks prior to the commencement of the course and the post-course workshop will be delivered 3-4 months after the in-Australia course. Workshop locations will be confirmed later. The proposed schedule is:

- **Pre-course workshop in Indonesia** (face-to-face or online), dates and delivery method TBC subject to COVID-19
- **Course in Australia** or online: TBC subject to COVID-19
- **Post-course in Indonesia**: TBC subject to COVID-19

Course participant profile:

To be selected for this course, you MUST:
- Be a representative (staff to Echelon 2 level or the equivalent) with relevant roles from the following institutions:
    - Ministry of Finance - DG Fiscal Balance
    - Ministry of Finance representatives from the following regencies and city (selected based on MoF's assessment of the Internship and Secondment program):
        - Tomohon City (North Sulawesi)
        - Pangandaran Regency (West Java)
        - Kuantan Singingi Regency (Riau)
        - Kepulauan Sula Regency (North Maluku)
        - Enrekang Regency (South Sulawesi)
    - National Development Planning Agency (Bappenas)
    - Ministry of Home Affairs (MoHA) – DG Regional Development, DG Local Autonomy, and DG Regional Budget
    - Targeted sub-national governments from Special Autonomy provinces of Aceh, Papua, and West Papua

o Universities (preferably from the three Special Autonomy provinces, however, outstanding candidates from other provinces are also considered)

- Have a bachelor's degree or higher (not a mandatory requirement);

- Be endorsed by the supervisor;

- Be committed to prepare and implement an Award Project, an individual or small group development project as part of the course;

- Be committed to engage actively and foster networks with multiple stakeholders including in Australia and Indonesia and facilitate the transfer of learning from the course with colleagues and peers;

- Have professional working proficiency in English. The applicants' English language competency is part of the selection process; however, there will be no official language test. The assessment of language competency is based on a phone interview and any additional evidence provided by the applicant (for examples: proof of studies or living in an English-speaking country or working in an English-speaking environment; completion of studies in English, language course or language tests; or proof of attendance or certificate of international conference). The course material will be made available in English. Language interpretation or language assistance is **not** provided.

Steps of Application

Participants will be identified through a competitive process whereby applicants submit their responses to selection criteria (3-4 questions) and their CV outlining their roles and responsibilities in the sector through an online application. The application will be reviewed by Independent Panel Reviewers, Australia Awards and the Australian Embassy to explore motivation and other demonstrated competencies to ensure commitment and interest in the study program.

- All candidates should complete an online application form which explores their motivation, role, experience in the relevance to this course. (Deadline **6 September 2020**)

  Online application link:
  https://www.australiaawardsindonesia.org/id/pfmapplication

- An Information Session will be held virtually by Australia Awards in Indonesia on **23 July 2020 at 10AM**. This session aims to guide applicants on the application procedures, including the online application system, selection scheme and interview process. RSVP before 21 July at **https://www.australiaawardsindonesia.org/id/pfminfosession**

- Shortlisted candidates will be invited for a phone interview in **fourth week of September 2020 (TBC)**. Further instructions and phone interview invitation will be emailed to shortlisted candidates by the third week of September 2020. If candidates fail to join the phone interview, their applications will not be considered by the selection panel.

The selection panel will convene to select up to 25 participants. The successful participants will be informed of the outcome in **October 2020**.

Gender equity will be a consideration and encouraged but not a constraint, given that participants are selected through a competitive selection process.